STRATEGIES FOR ECONOMIC PROSPERITY AND EQUITY

Strategies for Economic Prosperity and Equity

The decline in basic industry's share of total regional employment and output must be reversed. Basic industry has large multiplier effects on the economy and jobs, as well as higher wages and benefits than most other types of economic activity. More specifically, the region must increase its share of employment in those industries and service sectors where wages and salaries will be higher than average and where growth nationwide and internationally is expected to be strong. As noted earlier, however, many of the nation's industrial states and regions will no doubt be setting the same sorts of goals. Southern California must therefore focus its efforts on those basic industries in which it also has comparative advantage.

1. Introduction: The Need for a Regional Focus

As we enter the twenty-first century, the most critical challenge facing the Southern California region will be to secure a major role in the emerging information-driven industries. These sectors—which include high-technology manufacturing, software design, professional services, entertainment, and multimedia—represent the fast-growth, high-wage arenas that will define the nation's economic future.

No region is better positioned to garner a larger portion of this surging, high-wage employment than Southern California. Not only does the five-county Los Angeles area possess one of the world's largest concentrations of scientists, engineers, and high-technology industries, but it has established a predominant presence in global culture-related industries such as movies, television, tourism, multimedia, and craft-based lifestyle products.

a. Advantage of Regional Clusters

Economic geography in an era of global competition poses a paradox. In theory, location should no longer be a source of competitive advantage. Open global markets, rapid transportation, and high-speed communications should allow any company to source any thing from any place at any time. But in practice, as scholar Michael Porter demonstrates, location remains central to competition.

Porter explains how regional industry clusters affect competition in three broad ways: first, by increasing the productivity of companies based in the area; second, by driving the direction and pace of innovation; and third, by stimulating the formation of new businesses within the cluster. Geographic, cultural, and institutional proximity provides companies with special access, closer relationships, better information, powerful incentives, and other advantages that are difficult to tap from a distance. The more complex, knowledge-based, and dynamic the world economy becomes, the more this is true. Competitive advantage lies increasingly in local things—knowledge, relationships, and motivation—that distant rivals cannot replicate.

The presence of a group of competing companies contributes to the formation of new suppliers, the growth of companies in related fields, the formation of specialized training programs, and the emergence of technological centers of excellence in colleges and universities. The clusters also provide newcomers with access to expertise, connections, and infrastructure that they in turn can learn and exploit to their own economic advantage. If locations give rise to clusters, it is clusters that drive economic development. They create new capabilities, new companies, and new industries.

The ability to access competitive clusters is a very different attribute—and one much more far reaching in economic implication—than the more generic advantage of proximity to a large downtown area with concentrated activity. Competitive regional economies create two types of potential advantages: enhanced business formation and integration across clusters.

b. Enhanced Business Formation

Several cities in the United States are developing programs that bring together the resources of universities, businesses, and government to accelerate the development and commercialization of new technologies that can help make small and medium-size businesses internationally competitive. City governments can be catalysts for linking small and medium-size companies in various industries with universities and research institutes to develop new technologies and accelerate their commercialization. In the United States, high-technology complexes such as Route 128 in Massachusetts, the Silicon Valley, Research Triangle Park in North Carolina, and the Forrestal Research Center in New Jersey have stimulated the growth of small and medium-size enterprises by linking them directly to university-based research facilities. Government funding can facilitate the linkages between businesses and universities and develop an organizational structure through which technological research and development in universities can be oriented toward the needs of small and medium-size businesses.

c. Integration Across Clusters: Flexible Specialization

Companies providing supplies, components, and support services can be created to take advantage of a region's proximity to multiple nearby businesses. This new economic paradigm has been described by MIT economists Michael Piore and Charles Sabel as "flexible specialization." In this system, various players within an industry cooperate across size and areas of competency in order to produce highly specialized, even customized goods, usually at the upper end of the market.[22] "Flexible specialization" has been used to explain intra-industrial patterns in much of Silicon Valley and may have much to do with that area's preeminence in many technology-based industries.[23]

In Hollywood, "flexible specialization" involves the increasing collaboration between the major studios and a host of smaller, often quite specialized, independent entertainment companies. The studios provide the necessary marketing, along with the financial and technical infrastructure, while helping to coordinate the varied inputs of the smaller companies. Most of the creative input—the direction, look, design, and conceptualization—comes from smaller independent firms and freelancers.

[22] For a further discussion, see Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity,* Basic Books: New York, 1984.

[23] For a further discussion on Silicon Valley's "network econ omy," see AnnaLee Saxenian, *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*, Harvard University Press, 1994.

d. Access to a Qualified Workforce

New Economy businesses need to be near or have electronic access to a pool of knowledge workers, expertise and technical resources. John Kasarda calls this a knowledge center [24] that can generate or stimulate innovation and provide a reliable source of scientists, engineers, and managers. Incorporating continuous innovation as a standard of operating practice is something that insulates successful firms from becoming obsolete by newer technologies. Among the most important knowledge centers upon which Smart Communities depend are Research and Development laboratories, colleges and universities that provide research capabilities and trained personnel and consultants that help cpmmercoalize technology and manage activities.

Businesses in the Information Age depend not so much on reasonable labor costs but more on a high-quality workforce. The skilled workers in Salt Lake City, Sacramento, and the Minneapolis-St. Paul area help companies increase their productivity and efficiency and adjust quickly to changing worldwide market demands. Educational institutions in Austin supply the skilled workers that give it an advantage in attracting international companies. Salt Lake City has the highest literacy rate in the United States, which gives prospective employers greater flexibility in hiring opportunities. Phoenix has made itself attractive to high-tech firms because of its large, well-educated, productive workforce and excellent school system, which includes a community college network geared to providing business skills.

[24] John D. Kasarda,"Innovative Infrastructure for Agile Manufacturers", *Sloan Management Review*, Winter 1998.

2. Strategies to Expand and Diversify the Region's Economic Base

A state-of-the-art strategy to energize basic industry will require collaboration and cooperation through industrial clusters in order to improve competitiveness and stimulate real fixed investment. The first step is to increase the awareness of both the private and the public sector in the region as to what efforts are already under way supporting industry cluster formation.

Every location—whether it is a nation, a region, or a community—has a set of unique local conditions that underpin the ability of companies based there to compete in a particular field. The competitive advantage of a location does not usually arise in isolated companies but in clusters of companies—in other words, in companies that are in the same industry or otherwise linked together through customer, supplier, or similar relationships.

As in other regions across the country, there are a number of industry clusters in the SCAG region, each possessing unique elements that contribute to Southern California's economic base. The industry cluster list below is not meant to be exhaustive, but instead is intended to be illustrative and reflect current trends in industry and regional strategy activities. Additionally, at the end of most industry cluster descriptions, readers will find the URL web site address for each group.

DIVERSIFIED MANUFACTURING

California Fashion Association (CFA)

The Los Angeles-based California Fashion Association started as an outgrowth of an economic roundtable hosted by Los Angeles Mayor Richard Riordan. Prompted by the 1995 El Monte arrests of a forced labor "sweat-shop" operation, industry leaders began working together to initiate efforts that would trumpet the economic benefits of the industry and deal with challenges as well.

With nearly 200 members, the CFA is comprised of manufacturers, their suppliers, financial and professional services, allied associations, and applied educational institutions. The main purpose of the organization is to foster industry networking and information for compliance with labor laws, for international trade, and for technological advancement, while additionally working to build a positive image for the industry.

Since its start, the CFA and the recently created California Fashion Association Community Development Foundation have launched a variety of industry initiatives that include:

- An industry-wide health, dental, and life insurance program for employees of its membercompanies and their sub-contractors. The program guarantees admission for all employees at common rates, as well as acceptance of enrollees with pre-existing conditions.

- A vocational training and technical skills program in partnership with the state's Employment Training Panel (ETP).

- A pilot daycare initiative with Los Angeles Elementary School that includes programs in the areas of art and music, as well as academically focused intercession programs for year-round school.

- An immigration assistance program in partnership with a non-profit immigration law clinic, which handles problems for garment workers.

- Public/Private roundtable forums that have included industry leaders as well as Governor Gray Davis, U.S. Senator Diane Feinstein, and former state Attorney General Dan Lungren.

Web Site:
http://www.Californiafashion.org/

Los Angeles Manufacturing Network Initiative (LAMNI)

Under the auspices of the Community Development Technologies Center and L.A. Prosper Partners, the Los Angeles Manufacturing Network Initiative (LAMNI) acts as an umbrella organization facilitating the activities of various manufacturing industry cluster activities. LAMNI specifically helps manufacturing networks pursue collective, market-based approaches to industrial competitiveness. The network activities include educational and training programs, as well as supporting cluster networks to a continuum of services that address major barriers to growth and expansion.

Focusing on key industries in the Southern California region, LAMNI cluster groups include the biomedical industry, food processing, and the toy industry (all profiled below), as well as a furniture design and manufacturing collaborative, apparel, and a plastics industry network.

Southern California Biomedical Council (SCBC)

Medical manufacturing is becoming a big business in Southern California. The region contains about 2,300 biomedical firms, employing at least 80,000 people. Of these, over 800 biomedical firms employing over 30,000 people and generating about $4 billion in revenues call the region home; the rest of the firms are branches of out-of-state or foreign companies. Most of the region’s firms are young and small (75% emerged during the last 25 years, and 80% employ less than 50 employees). These firms develop and manufacture a wide variety of products—drugs, reagents, vitamins, biologicals, surgical instruments, hospital supplies, vision care products, clinical research instruments, imaging and diagnostic tools, artificial limbs, implants, catheters, dental products, medical plastics and personal hygiene products.

In support of this industry, the Southern California Biomedical Council (SCBC) is a collaborative association whose mission is to encourage networking and promote medical research and manufacturing in Southern California. The Council is a non-profit, mutual-benefit California Corporation. Membership is open to firms and organizations engaged in medical technology development throughout the region.

Members of the SCBC believe that, in today's health care environment, the model of the isolated firm is neither efficient in enabling firms to mobilize resources nor adequate in meeting the challenges of medical research and manufacturing. Members therefore believe that an alternative model of doing business based on networking is key to biomedical technology development in Southern California. The council is a vehicle for initiating and facilitating such networking.

The Council carries out a number of programs seeking to:

- Facilitate business-to-business transactions among members of the SCBC;
- Help in mobilizing capital for start-ups and firms seeking expansion;
- Ease the industry's national and local regulatory burden;
- Advocate on behalf of the region's firms concerning local, state and national legislative issues affecting the industry's growth and dynamism;
- Promote linkages with local universities, research institutions, and other educational institutions for training and technology transfer purposes;
- Provide information, including a newsletter, and customized technology and market research, to support the industry and educate the public about the economic benefits of biomedical technology development.

The council's web site, listed at the end of this section, was created for the purpose of encouraging virtual networking and maximizing access to resources essential for Southern California's medical technology development. It takes advantage of the Internet's ability to create connectivity by linking people and firms from throughout the world together, thus enabling the region's firms to capitalize on new business opportunities to compete effectively.

Nurturing the region's biomedical industry will also help in stimulating the growth of allied industries, such as suppliers of electrical and electronic components, software, programming services, plastics, glass, chemicals, metal parts, and scientific instruments. Furthermore, data from SCAG show that biomedical manfacturing generates strong employment multiplier effects. In short, the region's biomedical industry, if nurtured, can contribute significantly to job growth and wealth creation in the entire region.

Web Site:
http://www.socalbio.org/

Food Industry Business Roundtable (FIBR)

Growing out of a series of forums conducted by RLA with members of the local food processing community, FIBR is composed of a broad segment of food processors who handle ethnic and/or specialty foods. In Southern California's broad and diverse cultural landscape, food processors stand to benefit tremendously by capitalizing upon the region's rich cultural resources. Networking, mutual learning and collaboration represent the means by which members of the food processing industry can become collective beneficiaries under the framework of FIBR.

Organizational goals include:

- Encouraging interaction between all segments of the ethnic-food manufacturing industry;
- Working with local government, regulatory and economic development agencies;
- Partnering with local community colleges to improve job skills for the industry's workforce;
- Building linkages between private and public sources of capital for sustained growth; and
- Keeping members informed about current industry trends, trade policies, and regulatory developments.

LAMNI will continue to support economic development strategies within the local food processing industry. The viability of FIBR remains a critical component of LAMNI's work with ethnic and specialty food producers as the organization enters into a third phase of revitalizing the local Los Angeles economy.

Web Site:
http://www.fibr.com/

Figure 25

Los Angeles County Toy Industry Comparison

Manufacturing	Firms	Employment	Sales
Dolls and Stuffed Toys (SIC 3942)	33	211	$8,473,000
Toys and Games (SIC 3944)	91	2,842	$3,386,612,819
Subtotal	124	3,053	$3,395,085,819
Wholesale			
Toys and hobby goods (SIC 5092)	399	2,973	$985,212,884
Subtotal	399	2,973	$985,212,884
Totals	**523**	**6,026**	**$4,380,298,703**

Source: LAEDC, 1997

Toy Association of Southern California (TASC)

TASC is composed of a broad segment of toy importers, distributors, and manufacturers in the greater Los Angeles region. By coming together, the local toy industry stands to benefit tremendously by collectively addressing issues of common concern. Networking, mutual learning, and collaboration represent the means by which members of the toy industry can become collective beneficiaries under the framework of TASC.

Toy manufacturing, design, and distribution is a growth niche in the SCAG basin. Employing more than 6,000 people, the regional industry has become an international hub sending toys throughout the United States and into Mexico and South America. In fact, according to industry sources, more than 60% of the $12 billion in toys sold in U.S. retail stores in 1998 were probably distributed from Southern California. Manufacturers range in size from the El Segundo-based Mattel, the world's largest toy company at 21,000 employees and $3 billion in annual sales, to other smaller companies such as Applause Inc. in Woodland Hills, a leader in stuffed animals that employs 600, to A&A Plush in Compton, the U.S. arm of a Seoul teddy bear supplier with 20 employees (Figure 25).

Web Site:
http://www.tasc-toys.com/

ENTERTAINMENT & MULTIMEDIA INDUSTRY

Entertainment Industry Development Corporation (EIDC)

In a move to promote economic growth and streamline government, Los Angeles Mayor Richard Riordan, the Los Angeles City Council, and the Los Angeles County Board of Supervisors, in partnership with the motion picture production industry, merged the city and county film offices to create the Entertainment Industry Development Corporation (EIDC). EIDC opened its doors on July 1st of 1995.

The EIDC coordinates and issues film shooting permits for many jurisdictions in Southern California. From pre-production assistance with location selection to 24-hour problem solving, the EIDC delivers a comprehensive production service package. EIDC's customer base is spread throughout Southern California. Customers include entertainment-related businesses, government, professional and labor organizations, community groups, area residents and local merchants.

EIDC's mission is to promote the region for what it is, the global entertainment mecca. The EIDC provides services, solutions and answers to the varied challenges and questions that are raised when filming in the real world. While the EIDC provides services to the entertainment industry, it also works hard to enhance the positive aspects production activity will have on a community.

This local community building is an integral part of the EIDC's role. The industry and communities must support one another. The EIDC supports and cultivates community-based arts organizations. Hoping to create opportunities in the high-growth entertainment industry for local communities, the EIDC builds programs that give people access to jobs and training. The featured education and workforce development program sponsored by the EIDC is the Hollywood Entertainment Training, Research and Education (EnTRE) initiative. The two primary goals of the program are:

Primary goals of the program are:

- The creation of a coherent, comprehensive and integrated workforce development system that meets the current and future employment, education, and training needs of the entertainment industry (with a strong emphasis on expanding opportunities for the under-represented communities).

- Connecting and amplifying industry support of public education and other youth serving activities

Hollywood EnTRE's programs include labor research, retraining opportunities for existing industry workers, involvement throughout the K-14 public education system, development of an entertainment industry mentor and volunteer network, and a consortium of youth-serving activities at the community level.

Web Site:
http://www.eidc.com/

Los Angeles New Media Roundtable (LawNMoweR)

LAwNMoweR was founded by Jim Jonassen of the Larkin Group. In 1992, Jonassen focused the Larkin Group on the rapidly emerging interactive media industry ignited by the advent of game, "edutainment," reference and educational titles being published on CD-ROM platform. The absence of a core community of experienced professionals, coupled with the unprecedented migration of talented professionals from related industries into multimedia were the catalysts for Jonassen to organize a monthly roundtable discussion for practitioners and interested parties looking for the on-ramp to the information superhighway.

Casual gatherings soon turned into more formal dinners at which investors, industry analysts and pundits predicted trends in the soon-to-be multi-billion dollar industry. Simultaneously, corporate executives and entrepreneurs introduced exciting new technologies and developers and publishers premiered titles. LAwNMoweR, with its unusual combination of substance and good vibe, was known for fostering a sense of community within the Los Angeles new media industry and for anchoring interaction across company, industry and functional boundaries.

In 1995, LAwNMoweR began producing quarterly events for larger numbers of attendees and participants. With the intent of fostering business relationships within the new media business, LAwNMoweR looked to corporate sponsors to support events in exchange for access to the Los Angeles area's new media community and a forum to promote products and services. Events typically focus on a topic with speakers or panelists engaged in an interactive dialog with the audience. These sessions are always followed by the LAwNMoweR Showcase, in which attendees enjoy live music, refreshments and conversation with their colleagues while visiting demos, presentations and displays offered by companies showcasing their products and services.

LAwNMoweR LIVE events bring together practitioners involved in the development and production of interactive programming, managers who determine the design of distribution infrastructure, technical innovators who develop enabling technologies, as well as the interactive advertising and professional service organizations supporting the industry.

Endorsements of the LAwNMoweR Showcase underscore the value of business development, marketing and promotional activities as well as the opportunity to meet with prospective employees, investors and strategic partners. Venues range from nightclubs to prestigious universities, to funky sound stages across the Los Angeles basin. Attendance at LAwNMoweR gatherings averages between 400 and 1,000 people, with invitations extended via fax, e-mail and post card to over 4,000 in the community.

In addition to its live events, LAwNMoweR publishes a newsletter called, "LAwNMoweR Clippings." Clippings features background information on sponsors, presenters and showcasing companies as well as news, stories and opinion from members of the community. In 1996, the LAwNMoweR Online web site was launched (web site address listed below) with the primary focus dedicated to promoting upcoming events and to providing links to sponsors and participants.

Web Site:
http://www.lawnmoweronline.com/

HIGH TECHNOLOGY

IE21

Launched in August, 1997 as a partnership between the Inland Empire Economic Partnership(IEEP), the Inland Empire Technology Consortium, and the Inland Empire Technology Entrepreneurs Forum, IE21 establishes a strategic linkage between the region's business, academic, and economic development communities for the purpose of fostering a high tech regional economy. IE21 is a long-term strategy to shift the Inland Empire to an economy based on high-technology industries employing educated workers whose skills command the high wages required to support a rising standard of living for the region in the 21st century.

IE21 is the product of more than a year of effort by Inland Empire business, academic, government, and civic leaders to determine the requirements of creating high-wage industry in the region. It incorporates the most current knowledge and research on the determinants of regional prosperity in the global economy, drawing from the development lessons of such economically successful areas as San Diego, Seattle, and Austin.

IE21 is intended to be a market-guided economic development consortium, driven by a wide range of Inland Empire organizations and "civic entrepreneurs" so as to fully reflect the diverse needs and human and organizational talent of Riverside and San Bernardino counties. In that spirit, IE21's basic approach is to promote strong collaboration and linkages between the region's business, higher education, and government communities in pursuit of three general aims:

- Fostering the startup and expansion in the Inland Empire of high-tech, high-wage-paying businesses in the widest possible range of local industries;
- Facilitating technology transfer and educational programs from higher education institutions to support high-tech business formation and expansion; in particular by spawning spin-off companies from the region's universities;
- Nurturing long-term public-private relationships to ensure that the region offers a favorable environment for high-tech industry for generations to come.

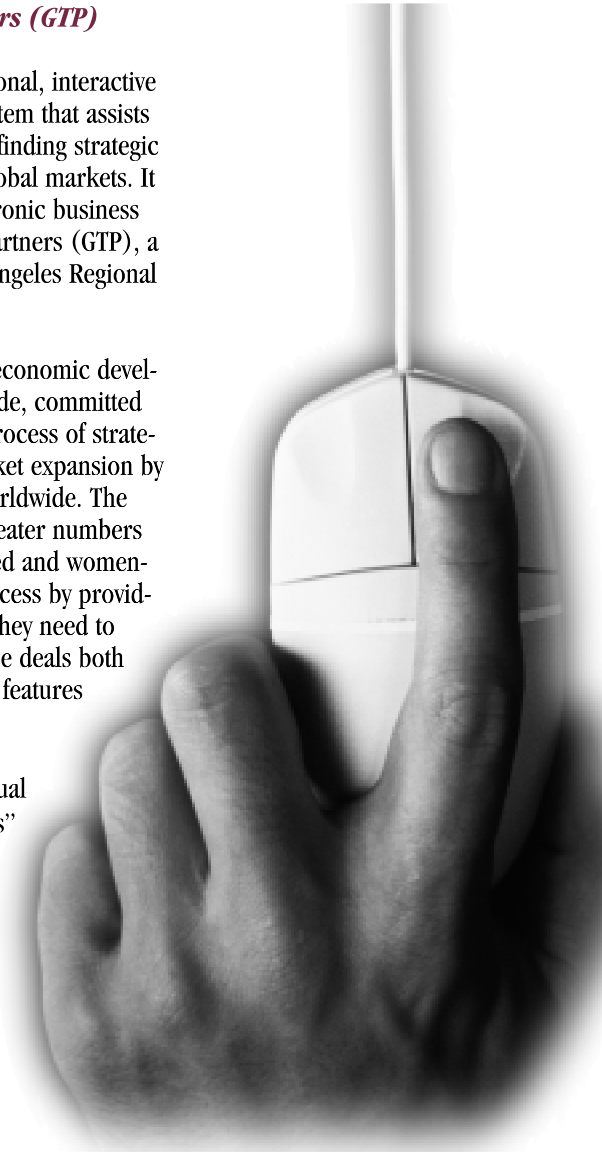
WEB SITE:
http://www.optivus.com/ie21.html

Global Technology Partners (GTP)

Global California is an educational, interactive and transaction-based web system that assists entrepreneurial companies in finding strategic partners, investors and new global markets. It constitutes the common, electronic business forum of Global Technology Partners (GTP), a program of the 5-county Los Angeles Regional Technology Alliance.

GTP is a new collaborative of economic development organizations worldwide, committed to easing and facilitating the process of strategic partnering and global market expansion by entrepreneurial companies worldwide. The program also aims to bring greater numbers of under served minority-owned and women-owned companies into the process by providing the tools and information they need to grow their businesses and close deals both at home and abroad. Program features include:

- A 24-hour mentor and virtual assistant to global "clusters" of emerging small and medium-sized businesses seeking to easily and cost-effectively:
- Resources to help identify new strategic partners, suppliers and customers;



- Access support services necessary to prepare for, negotiate and close deals;
- Support in locating investors and other sources of financing and;
- The opportunity to establish new regional, national and global markets.

A specific feature of this system is the Global California Clusters program. Participants can browse the Cluster Directory and connect to a vast electronic network of entrepreneurial companies, leading technology-based firms, and economic development organizations worldwide. Once connected, participants are linked to strategic partners and business allies, money and investors, useful products and services, and new global markets. By 1999 the Cluster Directory had grown to some 10,000 members from California. Cluster Directory links are available for the following industry sectors:

- Biomedicine
- Computer Hardware and Electronics
- Computer Software
- Defense and Aerospace
- Economic Institutions and Development Organizations
- Energy
- Entertainment and Multimedia
- Environmental Products and Technologies
- General Manufacturing
- Professional and Business Services
- Robotics - Factory Automation - Manufacturing Equipment
- Subassemblies and Components
- Telecommunications
- Test and Measurement
- Transportation

Web Site:
http://www.globalca.com/

ADVANCED TRANSPORTATION SYSTEMS AND TECHNOLOGY:

Advanced Transportation Industry Consortium (ATIC)

The ATIC is a public/private collaborative that seeks to promote the development of skilled workers for the advanced transportation industry in Southern California. Functioning as a regional facilitator, the ATIC works with employers and educational and training experts to identify the academic and technical skills that will be required for the transportation industry of the future. The focus of the program is to match employers with schools, colleges and universities to jointly develop regional academic and skill specific programs and services that respond to the industry's evolving demand for workers.

Primary initiatives undertaken by the ATIC include:

- The creation of an ATIC Workforce Development Web Site
- The development of an annually updated five-year workforce strategic plan
- The creation of an annual implementation plan responsive to the workforce strategic plan
- The dissemination of the annual plan to employers, policy makers, education and training providers, regional government, and transit agencies

ATIC's operational principles are to:

- Function as a regional facilitator to promote workforce development for the transportation industry

- Work through the existing and evolving education and training systems to deliver and institutionalize regional programs and services (federal, state and/or locally funded programs)
- Operate as a dynamic network of strategic alliances versus a formal institution
- Evolve into an employer/industry led regional, independent, non-duplicative, and self supporting entity

The Consortium seeks to add value to the existing activities of private firms, public agencies, and educational and training institutions by:

- Developing industry consensus about its current, near term and future workforce needs.
- Providing stewardship to workers (current and emerging) to match industry's labor market demands.
- Providing industry feedback to education and training providers.
- Establishing economic strategies to bridge the Consortium from initial seed funding and in-kind resources to long term sustainability.

CALSTART

CALSTART is a non-profit organization dedicated to the creation of an advanced transportation technologies industry and related markets. CALSTART is made up of over 200 companies and organizations involved in the electric, hybrid electric, natural gas and intelligent transportation systems arenas. CALSTART participants range from large companies like Toyota and Hewlett Packard to small start-up technology businesses.

CALSTART serves as a "strategic broker" in linking people and ideas together, further accelerating the pace of growth in this expanding industry. CALSTART provides key industry services that bring together people, technologies and resources to bridge the gap between technology development and the marketplace. CALSTART has created and is now managing over $90 million in 50 different technology development programs.

CALSTART programs and services include:

Strategic Information
Weekly informational faxes showcasing a variety of topics, such as partnering opportunities, market information and consortium news; CALSTART Connection Newsletter; CALSTART NewsNotes, highlighting breaking industry developments; discounts on CALSTART publications, workshops and conferences.

Industry Networking
Links to partners, market contacts and access to CALSTART's diverse technology network, made up of 200 private and public participants.

Funding Opportunities
Notification of technology development funding and Financial Advisory Committee Review of qualifying companies.

Marketing Visibility
Accelerated marketing and promotional opportunities for member company's products and services, including a detailed company listing on CALSTART's Internet "Industry Yellow Pages" and product catalog.

Technical Assistance
Assessment of promising new technology and Technical Advisory Committee Review of qualifying technologies. Leveraging its industry knowledge and technology expertise, CALSTART provides custom services to help companies bring their products to market. CALSTART's retainer services are available for additional fees. Retainer services include:

- Strategic Brokering
- Technology Sourcing
- Creating Technology and Market Teams
- Consulting/Implementation
- Designing Programs to Place Clean Vehicles in Service
- Graphic and Web Design
- Business Incubation Support
- Providing shared space, equipment and tools
- Access to incubator service provider network
- Marketing Research
- Technology Development

Web Site:
http://www.calstart.org/

Southern California Economic Partnership (The Partnership)

The Southern California Economic Partnership is a publicly/privately funded, non-profit organization with an 18-member Board of Directors. Its goal is to accelerate the deployment of Advanced Transportation Technologies (ATTs) throughout Southern California.

The Partnership, with the assistance of stakeholder "Cluster Groups", facilitates the creation of public/private business partnerships and provides a range of education and outreach activities to local governments regarding the deployment of the following ATTs:

- Electric Vehicles
- Natural Gas Vehicles
- Smart Travel (Intelligent Transportation Systems)
- Smart Shuttle Transit
- Smart Telecom (Telecommunications)

Ultimately, the purpose of developing these technologies is to provide consumers with products and services that preserve the same quality of life and convenience of mobility they experience today, and to help spur the development of new jobs in the region. The Partnership provides fundamental direction and guidance to local governments, product developers and service providers concerning the accelerated deployment of the five technologies. It also offers ATT stakeholder meetings, workshops to help support the creation of sustainable markets, and comprehensive ATT "Model City Starter Kits".

Web Site:
http://www.the-partnership.org/

3. Key Issues Affecting Regional Competitiveness

Although many of the economic trends over the last several years have been positive for the region, abundant growth opportunities do not guarantee long-term success. To achieve long-term success, cooperation between the public sector and the private sector will be needed to address the myriad of challenges facing the region. The following is a list of critical policy issues impacting the region:

- Workforce Challenges
- Housing
- Infrastructure
- State and Local Government Fiscal Reform
- Local Buy-In to a Regional Economic Strategy
- Regional Business Leadership

Workforce Challenges

A recent Rockefeller Foundation funded workforce report written by the Center for Continuing Study of the California Economy

(CCSCE) identified four current trends that symbolize Southern California's and the state's emerging challenges in developing workforce preparation strategies and programs:

1) In 1997 California developed state rules and programs to move welfare recipients into the workforce. Despite a significant caseload decline, there are approximately 500,000 adult welfare recipients statewide who must find jobs or eventually face reduced welfare support.

The first step for most welfare recipients will be a low paying entry-level job—in competition with millions of Californians holding or seeking similar jobs.

2) There are approximately one million California workers who meet the strictest definition of "working poor". These workers are doing everything that the new laws require of welfare recipients, yet they live in households with incomes below the poverty level. While it is not true in every case, for the most part welfare recipients and the working poor are competing in the same job markets. Thus, developing workforce strategies to help working poor families is an additional welfare reform element now under policy consideration.

3) Southern California's expanding knowledge-based economy is creating a huge demand for highly skilled workers. It is in the high skilled occupations that employers are having the greatest difficulty filling available jobs.

It is too much to expect that welfare recipients and existing entry level workers can fill immediate high skill job openings. These shortages, which can eventually threaten the region's technological leadership position, must be approached with a different set of strategies.

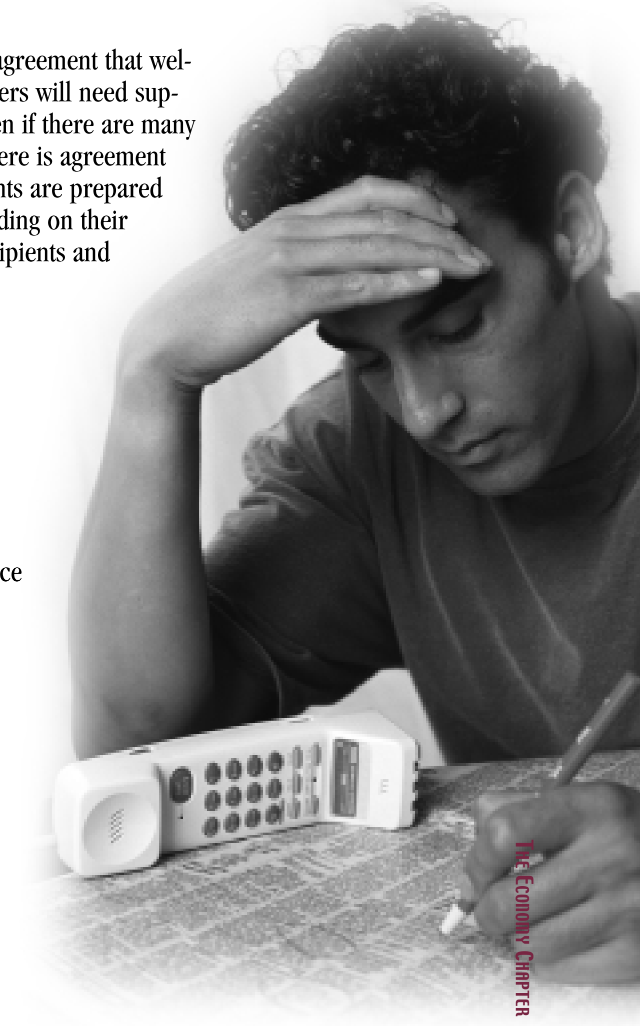
4) Most Californians work in jobs that require somewhere between entry level skills and highly technical training. Three years of strong income growth has brought some increase in living standards for these workers and their families. Yet, even in 1998 man "in the middle" have seen two decades of wage stagnation, increasing pressures and changes in their work life.

Including the middle class in California's workforce preparation strategy is very important for several reasons:

- The middle class is a target for welfare recipients. The major goal of welfare reform is to help recipients and their families move out of poverty through work.
- Many members of the middle class are also being left behind in terms of rising living standards.
- It is existing middle skilled workers who are the best candidates for getting vocational training to fill existing high skilled job vacancies.

There is broad bipartisan agreement that welfare recipients and employers will need support to achieve success even if there are many low skill jobs available. There is agreement that not all welfare recipients are prepared for entry-level jobs. Depending on their circumstances, welfare recipients and their families may need:

- Child care assistance
- Basic education and training
- Job search skills
- Transportation assistance
- Job retention attributes such as punctuality, consistent attendance, interpersonal skills, and work effort



Although the state has adopted programs to provide assistance in many of these areas, the 1998 Regional Transportation Plan (RTP) from SCAG concluded that the transportation needs of welfare recipients can be largely met with existing services and resources, provided information regarding existing services is made available to appropriate agencies. Additionally, transportation, social service, and employment agencies forge strong working relationships that result in service gaps being identified and addressed. Overall, the SCAG analysis revealed that the frequently cited "spatial mismatch" between residential location and likely employment locations is not applicable in the Southern California region, and that many welfare recipients moving into the workforce can be served by existing public transit, carpools, and vanpool options.

There is little disagreement that California needs a workforce strategy to help welfare recipients enter the job market and a workforce strategy to help California's lead industries find all the highly skilled labor they can hire. What is now being increasingly understood is the implication that California also needs a workforce strategy for the middle groups. Helping existing entry level workers move up and "make room" is critical to the transition of welfare recipients into entry level jobs. Otherwise California will have instituted a sort of "musical chairs" in the low skill job market where an increasing number of workers compete for a limited number of jobs. In order to effectively address the welfare-to-work situation, a comprehensive strategy must be undertaken that reflects the inter-relationship between the types of jobs being created and the skills needed to transition people into those jobs.

Housing

Because potential employers look at a region's housing when considering relocating or expanding their businesses, affordability and the location of quality housing have a significant impact on the region's ability to maintain a viable economy. Given the recent strength of the regional economy, employment and income growth are driving an improved real estate market. Interest rate declines, renewed job and population growth, and a move towards equilibrium with housing prices in other areas are laying the groundwork for a stronger residential construction market. After sharp declines in the early 1990's, residential building permits registered healthy growth for four years in a row, jumping 12 percent in 1996, nearly 20 percent in 1997, just over 8 percent in 1998, and another 20 percent in 1999. Nontheless, it should be noted that the average number of permits issued during the period from 1996 though 1999 was still 55 percent below the annual average for the 1980s.

Affordability indices have rebounded in all SCAG regional markets. From the lows established in 1989, by the end of 1998 the median priced house was affordable for 40 percent of Los Angeles County households, 37 percent of Orange County households, and 55 percent of all households in the Inland Empire, as reported by the California Association of Realtors. Moreover, median housing prices in competing western markets are now equal to or higher than Southern California prices. For example, 1998 median resale prices in the Inland Empire ($125,000) were lower than those in Denver ($150,000), Las Vegas ($125,400), Portland ($159,000), Salt Lake City (($131,000), and Seattle ($185,800). Median prices in Los Angeles County ($200,000) are closer to competing areas than at any time in the past 20 years and only Orange County median prices ($270,000) remain substantially above those in competing regions.

With housing prices increasing and residential, apartment and multifamily construction lagging, existing housing demands are expected to increase. According to the Building Industry Association of Southern California, Inc., the region's housing market is beset by two fundamentally inhibiting circumstances: 1) community "no-growth" sentiments that artificially constrain the availability of land, and 2) fees and exactions placed on new housing construction to fund community improvements. One result of Proposition 13's limitation on property tax revenues is the parallel rise of local government fees on development. This change turns the incentives against housing and industrial development and towards tax generating retail development.

The current local government fiscal situation provides little incentive for any municipality to do anything in the way of housing, because housing is a net cost, not a revenue generator. This fact results in a fiscal situation where most governments want to avoid building housing. Furthermore, compounding the single-family housing problem, multiple-unit dwellings (e.g. apartment buildings) are becoming increasingly difficult to build. Voters often have great antipathy towards multifamily housing, and due to California's litigious atmosphere, builders are becoming increasingly reluctant to build multiple-unit structures.

Infrastructure

Public investment is necessary to attract private investment. Public investment in schools, transportation, universities, ports, airports and adequate power and water supplies are essential requirements of a 21st century economy. Moreover, public investment is required to maintain and improve the quality of life. Therefore, the ability to attract workers and firms is dependent upon critical infrastructure investment that can create good schools, mitigate congestion and crime problems, and create world class recreational opportunities.

Increasingly regions compete with regions around the world to provide the kinds of infrastructure, amenities, and services that are attractive to world-class companies and people. Yet regional municipalities have extremely limited flexibility to plan for and fund the changing demands of business and citizens. For example:

- To raise taxes for specific infrastructure projects or operations, cities and counties must launch campaigns to pass ballot initiatives by a 2/3 vote. Yet a general unspecified tax requires only a majority vote.

- To approve bonds for a specific infrastructure project, cities and counties must launch campaigns to pass ballot initiatives by a 2/3 vote.

- The state has the authority to reallocate and place restrictions on local government revenues and expenditures (e.g., through transfer of property taxes and "maintenance of effort" requirements).

Progress on infrastructure funding is likely to require solutions to state and local government fiscal problems. Serious investigation is needed to find ways to assist local government in financing the enormously expensive cost of region-serving infrastructure. One suggestion is an infrastructure bank capitalized by municipal, county and special district bond pooling, as well as by state bond proceeds, federal and state grant funds, and Proposition 4 funds.

The State's failure to invest in infrastructure has increased housing prices, aggravated growth-related disputes and diminished California's economic potential. Over the last 15 years, the provision for infrastructure has become a significant factor in California's land-use controversies. As local governments have lost the ability to spread the costs of capital improvements throughout the community, much of those costs have been pushed onto new development—increasing housing prices and discouraging economic development. Other needs, such as freeway interchanges and regional parks, have gone unmet.

The State must invest in well-planned and efficient infrastructure to accommodate a growing population and capture economic opportunity. California must coordinate its investments. And it must better manage the demands on existing resources to stay economically competitive while preserving our quality of life. A coordinated state and regional infrastructure policy has the potential of reducing a major source of controversy, while helping to pioneer new solutions to perennial growth-related problems.

State And Local Government Fiscal Reform

Many of the means to economic prosperity in Southern California (e.g., education, training, infrastructure development) are related to state and local government fiscal prospects. In California, local government fiscal prospects are tied directly to state budget decisions. This fiscal interrelationship, together with the limited range of general revenue sources at the local level, makes it highly likely that fundamental fiscal reform at the state and local level will be required in order to meet the capital investment requirements of the region's economy.

The paramount importance local government accords sales tax revenue places a premium on tax-generating retail business rather than on wealth-generating basic industry. Not only is retail trade generally a low skill, low wage form of activity, it is a non-basic industry; i.e., it redistributes money within the region but does nothing to bring in new wealth from outside beyond the initial investment.

Worse, competition among cities for the relatively limited number of incoming large-scale retail operations is intense, making it all the more difficult to generate the kind of cooperation and collaboration necessary for a regional economic strategy. New industrial development is also disadvantaged by development fees and exactions, as is much of the infrastructure needed to attract basic industry.

A pro-economy state tax structure is one that supports the evolution of regional economies toward higher value-added, increased productivity, and a rising standard of living. As outlined in a recent report by Joint Venture: Silicon Valley,[25] public and private-sector leaders identified three essential characteristics of proper tax policies. They should be:

- **Responsive to Regional Needs.** A 21st century tax structure maximizes regions' ability to develop the kinds of services, infrastructure, and amenities their citizens and companies want and to deliver them as effectively as possible.

- **Pro-Investment by the Private and Public Sectors**. The current tax/fiscal structure has severed the link between property-based services and property-based revenues. As a result, retail facilities have become more valuable to communities from a fiscal perspective than facilities that house activities generating high-multiplier, higher-value jobs (e.g., high-tech manufacturing, R&D operations, headquarters operations, software development sites).

- **Able to Generate Predictable, Reliable Revenue Streams and Tax Policy.** A 21st century tax structure provides revenue predictability to local governments and a stable tax environment for businesses. Local governments can logically estimate revenue and expenses from year to year and at least five years out. For the private sector, revenue generation is linked to wealth-creation, minimizing the need for frequent changes in rates.

Underlying all three principles is the knowledge that California's tax and fiscal structure must be competitive in rates and burden and in the value taxpaying citizens and companies receive from their tax contributions in other states and regions.

Local Buy-In to A Regional Economic Strategy

It is the responsibility of the Southern California Association of Governments (SCAG) and other regional organizations, in cooperation with regional businesses, to achieve buy-in at the sub-regional, city, and county levels to the need for expanding the region's economic base. City management and, most importantly, local elected officials must become active partners in the regional economic strategy for at least two reasons:

1. They have the land-use authority and the power to dispense development incentives.

2. Only through city-level understanding and cooperation will the region be able to prevent narrow fiscal/jurisdictional interests from obstructing a regional approach to the economy. Industrial clusters and economic foundations are inherently multi-jurisdictional: This message must reach below the county and even sub-regional levels.

[25] Silicon Valley White Paper for California Constitution Revision Commission, by the Council on Tax Fiscal Policy Joint Venture: Silicon Valley Network, 1997.

Regional Business Leadership

The original Economy Chapter of the RCPG identified the need for regional cooperation through development of the Regional Economic Strategies Consortium (RESC). Although the RESC met for a number of years and information flow was enhanced as a result of its activities, it never received the support from the private sector necessary to sustain meaningful initiatives. This report once again recommends the formation of a regional initiative to bring the business community as a whole to bear on important issues.

The last few years has seen the resurgence or initiation of a number of sub-regional business or public/private organizations. Examples are:

- San Gabriel Valley Economic Partnership
- Valley Industry and Commerce Association
- South Bay Economic Development Partnership
- Inland Empire Economic Partnership
- Orange County Business Council
- Economic Alliance of the San Fernando Valley
- Greater Antelope Valley Economic Alliance
- Los Angeles Regional Technology Alliance

These groups and others are providing strong leadership on sub-regional specific issues. Add to this the hundreds of Chambers of Commerce, neighborhood business groups and industry associations and the region reflects an organizational web that is difficult to understand let alone mobilize in an effective and consistent manner.

The challenge is for business leaders from throughout the region, in partnership with those existing organizations, to come together and forge meaningful relationships that can address issues critical to the region's future. A crucial part of this process, which is often downplayed, is to ensure that the right players are invited to the table to begin with.

This second, revised version of the Economy Chapter therefore recommends that the RESC be re-energized with true private sector leadership and local organization partnership. SCAG would work in partnership with such a group to research critical issues, provide information, and outline key steps to be taken in a collaborative manner.

4. Strategies for Investment in "Communities in Need"

Attracting Business Investment to "Communities in Need"

"Communities in Need" are identified in the Human Resources and Services Chapter of the RCPG as those communities that possess threshold levels of certain key social indicator characteristics. These indicators are:

- Population below poverty level;
- High school dropouts—persons 25 years and over;
- English spoken "not well or not at all"—persons 5 years and over; and
- High unemployment rate.

Census tracts in the highest quartile of any three of these four indicators were identified in the Human Resources and Services Chapter as "communities in need" in each SCAG county.

In Harvard Business School Professor Michael Porter's report on rebuilding communities in need[26] he posits that jobs, investment, and businesses in our inner cities will materialize only as they have elsewhere—as the result of private, for-profit initiatives and investment based on economic self-interest and true competitive advantage. If the aim is to create a healthy, sustainable economic base in economically depressed communities, with the employment and wealth that comes with such a base, then the task is to identify the unique existing and potential competitive advantages of these communities that will sustain profitable companies, capable not only of serving the local community but also of "exporting" beyond it. The belief, therefore, is that businesses located within communities in need must be genuinely profitable and capable of competing on a regional, national, and even international scale, lest they run the risk of being outside the economic mainstream.

To guide communities-in-need economic development, a new model must draw its energy from the urban core's untapped economic and entrepreneurial potential. Working off of inherent strengths, the strategy should rest on the proposition that inner cities provide unique potential competitive advantages that companies can leverage in order to turn a profit. The focus, therefore, should be on identifying those competitive advantages and on encouraging the formation and growth of companies that can exploit them – in essence overcoming the "friction of information" that exist about the opportunities for the inner city. If companies are to put down roots in the inner city, they must be motivated by profits. Key inner-city advantages identified by Porter include:

1. Strategic Location. Communities in need often occupy economically valuable locations. They sit near congested high-rent business centers and astride transportation and communications nodes. Inner-city locations thus offer potential advantages for businesses that benefit from proximity to downtown business districts, logistical infrastructure, entertainment and tourist destinations, and concentrations of companies. Strategic location creates opportunities for relocating warehousing, data processing, food preparation, and other activities that benefit from downtown proximity away from more expensive downtown headquarters (or other company locations). For example, in Los Angeles many industry clusters such as toy and electronics importing and distribution, are dependent up transportation linkages and warehouse facilities. Such businesses have emerged and remained in the inner city despite government policies that often erode the area's locational value. That persistence suggests that the potential to expand the base of location-sensitive businesses in inner cities is significant.

[26] Michael Porter, "The Rise of the Urban Entrepreneur," *Inc. Magazine, State of Small Business, 1995, p. 105*

2. Local Market Demand. The second potential competitive advantage of the inner city lies in the unmet demands of its own population. Even though average incomes are relatively low in inner cities, high population density creates substantial purchasing power and a large market. These advantages are not well understood, nor are they well documented. Economist David Friedman in his 1994 study for RLA found that the "neglected regions" of Los Angeles County—those with 20 percent or higher poverty rates—showed a remarkable economic base of more than 15,000 companies employing 350,000 people with sales in excess of $4 billion. Such figures are not easy to assemble. If the federal and state statistical agencies could make them available in a convenient form to business, they might well alter firms' decisions as to whether or not to invest in the inner city.

3. Integration with Regional Clusters. A third potential competitive advantage of the inner city is a company's ability to leverage access to nearby regional business clusters. The inner city's proximity to regional clusters also offers employment opportunities to appropriately trained residents. Those jobs are usually far more practical and accessible than jobs in distant suburbs. With training and other work-force development programs tailored to cluster needs, both the regional firms and the inner city benefit.

4. Human Resources. The fourth potential competitive advantage of the inner city lies in its human resources. Inner-city workers are often more motivated and loyal in businesses that suffer high turnover. For instance, Porter identified a bakery in the heart of Boston's inner city that supplies decorated cakes to supermarkets. It attracts and retains residents from the area at $7 to $8 an hour (plus contributions to pensions and health insurance), and its labor pool is one factor that has allowed the company to thrive. Those entry-level, hourly jobs represent a starting point in building a sustainable inner-city economy. Furthermore, research reveals a substantial capacity for entrepreneurship in inner cities.

The competitive-advantage model proposes a new approach to creating a sustainable economic base in distressed urban communities. Agreeing to such a model and implementing it will not be easy. The private sector, government, inner-city residents, and the general public all hold their own views and prejudices about the inner city and its problems. Those views will be slow to change. People who have devoted years to social causes and who view profit and business in general with suspicion will be uncomfortable seeing the inner city in economic rather than in social terms. Elected officials may resist changing legislation and confronting angry and frightened constituents. And government entities may be reluctant to cede power and control accumulated through past programs.

Porter concludes that the real leaders of the economic revival of inner cities will come from outside the traditional community-service circles. Those leaders—businesspeople, entrepreneurs, and investors—are just emerging. They will need the support of community activists and organizations, social-services providers, and elected and non-elected government officials—all of whom have an important, though supporting, role to play in revitalizing inner cities. Inner-city regions cannot wait any longer. The ongoing damage to inner-city residents and to the whole of society cannot be tolerated.

Access to Capital

Poor access to debt and equity capital is a formidable barrier to entrepreneurship and company growth in inner-city areas. Banks and other sources of debt financing are often perceived as unfairly withholding capital because of bias, redlining, or poor understanding of inner-city companies. While those problems must be addressed, they are exacerbated by two other conditions. First, relatively few inner-city businesses meet investors' and lenders' underwriting standards. Capital will flow to inner-city companies once viable, competitive businesses are in place. Second, banks find small-business lending only marginally profitable because transaction costs are high relative to amounts lent.

The federal government has made several efforts to address the dearth of debt capital available to inner-city companies. The Community Reinvestment Act (CRA), intended to overcome bias in lending, has forced banks to pay more attention to inner-city areas. Additionally, the Specialized Small Business Investment Company (SSBIC) program of the U.S. Small Business Administration targets smaller enterprises for equity investments. But, equity capital is all but absent in most inner city areas. Furthermore, entrepreneurs usually lack personal or family savings and networks of individuals to draw on for capital, and institutional equity investors have historically ignored inner-city business opportunities.

Consider the problems inner-city companies have in gaining access to capital. Banks must see inner city lending as a profitable proposition, or they will never have the incentives and enthusiasm to develop it aggressively. Conventional lenders say the reason they do not find inner-city commercial lending profitable is not because of high default rates, as is commonly thought, but because of the high transaction costs associated with inner-city loans. Government should address those costs head-on by relaxing paperwork requirements and by providing direct incentives, such as giving banks a transaction fee rather than a loan guarantee for closing a qualifying inner-city loan.

The most important way to bring equity investment into the inner city is to engage and encourage the private sector. Resources now going to government or quasi-public finance agencies would be better channeled through private financial institutions or directed at re-capitalizing minority banks. Some minority-owned banks, with a superior knowledge of the inner city market, could gain a competitive advantage by developing business-lending expertise in inner city areas.

Relatively poor access to capital for urban businesses, lack of integration into the regional economy, and resulting competition from ex-urban areas have often deterred large-scale private sector investment. But today, a strong and sustained growth trend in the national economy has intersected with a sharp downturn in urban crime, better community policing, improvements in public housing, and other positive trends in urban centers. The potential result is a window of opportunity for inner city economic development in which private investment, urban businesses and local residents can flourish.

Business Improvement Districts

One of the more recent innovations being utilized as a tool for downtown revitalization are Business Improvement Districts (BIDs)—self-taxing organizations of businesses usually in downtown areas—which provide cleaner, safer and more attractive environments. A BID is a tool provided for by recent state legislation. It is a voluntary self-help mechanism for local business communities. The BID facilitates the pooling of funds for property improving streetscape, additional parking, increased maintenance, heightened security, local promotion, business attraction, special events, and virtually anything else the local board decides will benefit the business district. Merchants and property owners fund, structure and manage the BID, with the support of the city council.

As local budgets have tightened since the 1980s and downtown areas have faced competition from suburban malls, BIDs have come into their own as a way to keep aging neighborhoods economically viable. For example, one of the largest and most successful is New York's Grand Central Partnership which:

- Has a budget of $13 million and has sold $32 million in bonds for capital improvements.

- Operates a 42-member security police force, which has led to a sharp decline in crime.

- Replaces broken streetlights and missing street signs, cleans and discourages graffiti, and empties wastebaskets.

- Provides amenities such as planters with flowers, and runs taxi stands.

There are over 200 BIDs in the State of California alone. There are two different California statutes that provide for the establishment of BIDs. One focuses on assessing business licenses within the district (including landowners who lease property), and the second focuses on assessing property owners alone. The programs can also be used in combination. The local board makes all determinations and is charged with establishing a reasonable assessment formula. A BID can be formed in virtually any commercial or industrial setting.

In addition to BID's located in Long Beach, Santa Monica and Pasadena, Los Angeles currently has three BIDs in place: Miracle on Broadway (which includes all businesses on Broadway), Westwood Village (which includes businesses in the village and property along Wilshire Blvd.), and the Downtown Los Angeles Property Owners Association, DLAPOA (which includes 56 blocks of the Garment District).

Mission Statement

Leadership

Vision

Progress

Leadership, vision and ***progress*** which promote economic growth, personal well-being, and livable communities for all Southern Californians.

The Association will accomplish this Mission by:

- Developing long-range regional plans and strategies that provide for efficient movement of people, goods and information; enhance economic growth and international trade; and improve the environment and quality of life.
- Providing quality information services and analysis for the region.
- Using an inclusive decision-making process that resolves conflicts and encourages trust.
- Creating an educational and work environment that cultivates creativity, initiative, and opportunity.

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